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The EQUITABLE LIFE insurance company  
OF CANADA

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**60th Annual Report**

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**1979**

## DIRECTORS

HOWARD E. POWER\*†, F.C.I.S.  
THOMAS R. SUTTIE\*, F.I.A., F.C.I.A.  
WILLIAM H. TIMMIS\*  
HARRY D. GREB\*

*Honorary Chairman*  
*Chairman of the Board and President*  
*1st Vice-President*  
*2nd Vice-President*

JAMES C. BURT  
TAMARA GIESBRECHT†  
WOLFE D. GOODMAN\*, Q.C.  
J. GERALD HAGEY\*, LL.D.

JOHN M. HARPER†, Q.C.  
HARRY S. MORTON, O.B.E., LL.D., F.R.C.S.  
JOHN A. TUCK, Q.C.  
JOHN G. WEBER†

\*Member of Executive Committee

†Member of Audit Committee

## HONORARY DIRECTOR

J. W. SCOTT

## OFFICERS

T. R. SUTTIE, F.I.A., F.C.I.A.  
D. L. MacLEOD  
H. I. McINTOSH, F.S.A., F.C.I.A.  
G. R. BLAKE, F.L.M.I.  
W. H. WAHL, F.C.I.S., F.L.M.I.

*President*  
*Executive Vice-President*  
*Senior Vice-President and Actuary*  
*Vice-President and Treasurer*  
*Vice-President, Corporate Services and Secretary*

R. D. BEAUBIEN, F.S.A., F.C.I.A.  
G. L. BRUNT, C.L.U.  
B. V. DOUTHWAITE  
G. R. DUNLEAVY, F.L.M.I.  
L. J. HAMEL, F.L.M.I.  
G. E. HARTMAN, C.L.U.  
R. D. MARVEN, F.L.M.I.  
W. G. McCOY  
G. J. MELNIK, F.S.A., F.C.I.A.  
W. H. PUGH, F.L.M.I.  
S. O. RAMELAN, C.F.A.  
D. C. RAMSAY, F.L.M.I.  
J. K. SAMPLE, F.S.A., F.C.I.A.  
R. E. SCHIEDEL  
D. G. SEEBACH, F.L.M.I.  
J. W. SHADDICK, F.S.A., F.C.I.A.  
J. H. SUTHERLAND, C.L.U.

*Assistant Actuary, Individual Products*  
*Employee Benefit Plans Sales Director*  
*Assistant Vice-President, Marketing*  
*Accounting and Budget Officer*  
*Investment Administrative Officer*  
*Regional Sales Director*  
*Policyowner Service Officer*  
*Mortgage Lending Officer*  
*Group Actuary*  
*Associate Secretary and Personnel Officer*  
*Equity Investment Officer*  
*Systems Development Officer*  
*Assistant Actuary, Group Life and Health*  
*Data Processing Executive*  
*Marketing Services Director*  
*Assistant Actuary, Research and Statistics*  
*Sales Director*

HARPER, HANEY AND WHITE

*Solicitors*

P. G. SCHWAGER, M.D., F.R.C.P. (C)

*Medical Director*



## DIRECTORS' REPORT

### TO THE POLICYOWNERS OF THE EQUITABLE LIFE INSURANCE COMPANY OF CANADA

**NEW BUSINESS** - The volume of business written in 1979 (with 1978 figures shown for comparison) was as follows:-

	1979	1978
Individual Life Insurance	<b>\$164,462,672</b>	\$146,633,027
Individual Annuity	<b>59,165,561</b>	55,397,423
Group Life Insurance	<b>87,612,000</b>	40,473,850
Group Annuity	<b><u>23,255,434</u></b>	<u>24,196,969</u>
	<b>\$334,495,667</b>	\$266,701,269

Annuity sales are reported at the rate of \$1,200 per \$100 annual payment.

The total of \$334,495,667 exceeds that for the previous year by 25%.

**BUSINESS IN FORCE** - The above new writings, together with increases in existing groups, brought business in force at 31st December 1979 (with 1978 for comparison) to the following:-

	1979	1978
Insurance	<b>\$3,494,203,245</b>	\$3,206,925,018
Annuity	<b><u>489,829,124</u></b>	<u>423,470,338</u>
	<b>\$3,984,032,369</b>	\$3,630,395,356

**ACTUARIAL LIABILITY** - The assumptions used in the actuarial valuation are in accordance with the Canadian and British Insurance Companies Act and the regulations thereunder and the Recommendations for Financial Reporting of the Canadian Institute of Actuaries. These assumptions do not contain the degree of conservatism required before the amendments to the Act which became effective January 1, 1978. It is therefore appropriate to maintain safety margins in addition to the Actuarial Liability to guard against unexpected but possible contingencies during the many future years over which payments to policyowners will become due. In our judgment, the Appropriated Surplus of \$15,623,638 and Unassigned Surplus of \$12,652,970 are together proper and sufficient for this purpose.

**MORTALITY EXPERIENCE** - The mortality experience can fluctuate widely from year to year. In 1979, the mortality experience, although not as favourable as in 1978, was again below the level assumed in the actuarial valuation. It was therefore considered appropriate to add \$414,299 to the Reserve for Mortality Fluctuations. This reserve can be drawn upon when, as must be expected, unfavourable upward fluctuations occur.

**EARNED INTEREST RATE** - This represents the return on the book value of investments made at varying interest rates in earlier years. The rates obtainable increased sharply in the later months of 1979; the average rate on new investments in the year exceeded 11%. As a result the earned interest rate net of investment expenses increased to 9.29% from 8.94% in the previous year.

**DIRECTORS** - Because of the age limit imposed by the Canadian and British Insurance Companies Act, Mr. H. E. Power is ineligible for re-election at the Annual Meeting on February 20, 1980. Mr. Power has been associated with the Company for 57 years; among the positions in which he served were those of General Manager, Managing Director, President, Chairman and Honorary Chairman. His many years of experience and wise counsel will be greatly missed.

We regret to report the death in 1979 of Mr. W. J. McGibbon, Q.C. who was elected an Honorary Director in 1978 after serving as a director of the Company since 1946.

**STAFF** - The directors again wish to record their sincere appreciation to the Field and Head Office Staffs. The substantial increase in sales during the year is evidence of the ability of the men and women of our sales force, whose extensive training placed particular emphasis upon expertise in estate planning and business insurance. The positive attitude and hard work of all members of the salaried staff in both branches and Head Office was demonstrated by the efficiency with which, without an increase in numbers, they handled both an increased volume of business and a number of major new developments.

On behalf of the Board

T. R. Suttie, Chairman of the Board  
and President

## STATEMENT OF – ASSETS

*The Company has these assets to meet its obligations to policyowners:-*

	At December 31	
	1979	1978
BONDS (Note 2)	<b>\$ 44,510,521</b>	\$ 41,809,169
MORTGAGES (Note 2)	<b>115,248,589</b>	99,481,824
SHARES (Note 3)	<b>14,767,036</b>	10,109,688
REAL ESTATE (Note 4) Head Office and income producing properties	<b>3,580,971</b>	3,675,670
LOANS TO POLICYOWNERS Fully secured by the cash value of policies of this company	<b>12,166,472</b>	10,373,987
CASH Including interest bearing deposit certificates withdrawable on demand	<b>2,764,421</b>	6,362,954
PREMIUMS IN COURSE OF COLLECTION Fully secured by policy reserves	<b>1,705,051</b>	1,784,474
ACCRUED INVESTMENT INCOME	<b>2,551,763</b>	2,144,367
SEGREGATED INVESTMENT FUNDS (Note 5)	<b>12,008,832</b>	9,626,855
MISCELLANEOUS ASSETS (Note 6)	<b>374,787</b>	370,494
OTHER ASSETS (Note 7)	<b>1,524,548</b>	830,240
	<b><u>\$211,202,991</u></b>	<b><u>\$186,569,722</u></b>

### AUDITORS' REPORT TO THE POLICYOWNERS

We have examined the statement of assets, liabilities and surplus of The Equitable Life Insurance Company of Canada as at December 31, 1979, and the statements of income and unassigned surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances; we have relied on the opinion of the valuation actuary as to the amount of the total policy benefit liabilities.

In our opinion, based on our examination and the opinion of the company's valuation actuary, these financial statements present fairly the financial position of the company as at December 31, 1979, and the results of its operations for the year then ended in accordance with the accounting principles described in the notes to the financial statements applied on a basis consistent with that of the preceding year.

KITCHENER, Canada  
January 28, 1980

CLARKSON GORDON  
Chartered Accountants



## NOTES TO THE FINANCIAL STATEMENTS

The accounting policies followed by the company are as prescribed or permitted by the Department of Insurance of Canada for the purpose of reporting to policyholders.

1. Following the introduction in 1978 of the extensive changes in the Canadian and British Insurance Companies Act and regulations which became effective January 1, 1978, there was insufficient time to complete all of the detailed revisions necessary in our valuation systems and a number of approximations were required in determining the actuarial liability for unmatured obligations as at January 1 and December 31, 1978. Subsequent detailed calculations have determined that both liabilities were understated. An upward adjustment of \$615,347 is required in the liability as at December 31, 1978 and a reduction of \$5,390 in the income for the 1978 year. The figures in this statement have been restated accordingly.

2. Investments in bonds and mortgages are carried at amortized cost plus or minus the unamortized balance of the losses or gains on sale of such securities. Realized gains and losses are included in investment income in equal yearly amounts over the remaining term of the securities sold but not exceeding 20 years. The unamortized balance added in arriving at the carrying value of bonds amounted to \$625,549 at December 31, 1979 (1978 \$100,707).

3. Investments in shares are carried at cost increased by realized losses and decreased by realized gains with an adjustment towards market value each year of 7% of the difference between the adjusted book value and the year-end market value of all equity securities. The adjustment account deducted from cost in arriving at the carrying value amounted to \$852,131 at December 31, 1979 (1978 \$282,477).

4. The Head Office building and income producing property are valued at cost less depreciation on the straight-line basis at 2-1/2% or 5% per annum depending on the type of construction.

5. Segregated investment funds are funds for contracts under which the benefits are determined by the market values of the assets, the obligation therefore being equal to the market value as carried in the assets.

6. Miscellaneous assets, for which a 100% reserve is required by the Canadian and British Insurance Companies Act, include furniture and equipment (other than EDP equipment) depreciated at 20% of the declining balance and the estimated recoverable portion of agents' debit balances.

7. Among other assets are income tax recoverable amounting to \$881,693 and electronic data processing equipment amounting to \$474,731 at cost less accumulated depreciation. Depreciation is calculated on the straightline method at 20% per year.

8. The actuarial liability for unmatured obligations carried in the liabilities and the increase in this liability carried in the statement of income for 1979 were calculated allowing for deferred acquisition costs of up to 150% of the net level valuation premium, eliminating negative reserves, and with a cash value floor, in accordance with paragraph 82(8)(b) of the Canadian and British Insurance Companies Act.

A comparison between this method and the net level premium reserve method is as follows:

	1979	1978
Actuarial liability on net level premium basis	\$ 159,607,230	\$ 141,755,778
Actuarial liability as stated	<u>154,322,034</u>	<u>136,681,329</u>
Unamortized deferred acquisition costs	<u>\$ 5,285,196</u>	<u>\$ 5,074,449</u>

9. The reserve for investments of \$5,875,000 includes \$2,484,572 for the investment valuation and currency reserve required by the Canadian and British Insurance Companies Act, an increase in the required reserve of \$373,903 from the preceding year.

10. Since the information required for the accurate determination of certain items of taxable income was not available when the annual statement was prepared, the income tax charge against operations is an estimate of the amount currently payable. The Company follows the taxes payable method of providing for income taxes. Under this method taxes are provided for as incurred.

11. Changes in the components of appropriated surplus are as follows:

	1979	1978
Increase in investment reserve	\$ 375,000	\$ 450,000
Increase in reserve for mortality fluctuations	414,299	783,865
Increase in contingency reserve for group insurance contracts	822,268	665,143
Increase (decrease) in reserve for miscellaneous assets	<u>4,293</u>	<u>(8,750)</u>
Total transfer to appropriated surplus	<u>\$ 1,615,860</u>	<u>\$ 1,890,258</u>

## – LIABILITIES AND SURPLUS

The obligations of the company are:-

	At December 31	
	1979	1978
ACTUARIAL LIABILITY FOR UNMATURED OBLIGATIONS (Notes 1 and 8)	<b>\$154,322,034</b>	\$136,681,329
This amount, with future premiums and interest earnings, provides for the payment of benefits guaranteed by the Company's policies		
POLICYOWNERS' FUNDS	<b>6,855,395</b>	6,357,171
Policy proceeds and dividends left on deposit, policy benefits in process of payment, premiums received in advance and other policyowners' funds		
SEGREGATED INVESTMENT FUNDS (Note 5)	<b>12,008,832</b>	9,626,855
POLICYOWNERS' DIVIDENDS	<b>4,185,000</b>	3,780,000
Provision for dividends payable in following year		
PROVISION FOR GROUP EXPERIENCE REFUNDS	<b>1,639,691</b>	1,193,617
PROVISION FOR UNREPORTED CLAIMS	<b>2,159,470</b>	1,811,375
An estimate of claims which may have occurred but have not yet been reported to the Company		
TOTAL POLICY BENEFIT LIABILITIES	<b>\$181,170,422</b>	\$159,450,347
TAXES AND EXPENSES DUE AND ACCRUED	<b>590,662</b>	432,176
OTHER LIABILITIES	<b>1,165,299</b>	349,942
Includes unallocated receipts		
TOTAL OBLIGATIONS	<b>\$182,926,383</b>	\$160,232,465
Reserve for miscellaneous assets	<b>374,787</b>	370,494
Reserve for investments (Note 9)	<b>5,875,000</b>	5,500,000
Reserve for mortality fluctuations	<b>2,894,545</b>	2,480,246
Contingency reserve for group insurance contracts	<b>6,479,306</b>	5,657,038
APPROPRIATED SURPLUS	<b>\$ 15,623,638</b>	\$ 14,007,778
UNASSIGNED SURPLUS (Note 1)	<b>\$ 12,652,970</b>	\$ 12,329,479
TOTAL SURPLUS	<b>\$ 28,276,608</b>	\$ 26,337,257
	<b>\$211,202,991</b>	\$186,569,722

## REPORT OF THE VALUATION ACTUARY

I have made the valuation of the Total Policy Benefit Liabilities of the Equitable Life Insurance Company of Canada for its Statement of Liabilities and Surplus at December 31, 1979 and its Statement of Income for the year then ended. In my opinion (i) the valuation conforms to the Recommendations for Insurance Company Financial Reporting of the Canadian Institute of Actuaries, (ii) the amount shown as the Total Policy Benefit Liabilities makes proper provision for the obligations payable in the future under the Company's policies, and (iii) a proper charge on account of those liabilities has been made in the Statement of Income.

January 25, 1980

H. I. McIntosh, F.S.A., F.C.I.A.  
Senior Vice-President and Actuary



## INCOME

*The sources of revenue were:-*

For year ended December 31

**1979**

1978

**PREMIUMS:-**

Insurance	<b>\$ 19,436,666</b>	\$ 17,460,094
Annuity	<b>11,753,487</b>	8,176,577
Health	<b>3,600,140</b>	3,017,839
Segregated Funds	<b><u>1,481,756</u></b>	<u>1,620,483</u>
	<b>\$ 36,272,049</b>	\$ 30,274,993

**EARNINGS FROM INVESTMENTS AFTER  
INVESTMENT EXPENSES**

Insurance, annuity and health	<b>\$ 16,401,640</b>	\$ 14,242,144
Segregated funds	<b>636,716</b>	497,531
Net realized and unrealized capital gains or (losses) on segregated funds	<b><u>1,727,177</u></b>	<u>1,239,659</u>
	<b><u>\$ 55,037,582</u></b>	<u>\$ 46,254,327</u>

*The revenue was used for:-*

**BENEFITS PAID OR PROVIDED FOR:-**

Death and disability benefits	<b>\$ 5,762,608</b>	\$ 5,018,176
Matured endowments and cash values	<b>5,649,174</b>	4,700,534
Annuity and settlement option payments	<b>2,712,131</b>	2,145,779
Interest on policyowners' funds	<b>269,303</b>	243,596
Health insurance benefits	<b>3,205,860</b>	2,365,890
Benefits paid from segregated funds	<b>1,463,672</b>	1,195,526
Increase in actuarial liability for unmatured obligations (Note 8)	<b>17,640,705</b>	12,723,201
Increase in provision for group experience refunds	<b>446,074</b>	490,771
Increase in segregated funds	<b><u>2,381,977</u></b>	<u>2,162,147</u>
	<b>\$ 39,531,504</b>	\$ 31,045,620

**OPERATING EXPENSES:-**

Compensation for sales and field service to policyowners	<b>\$ 3,238,960</b>	\$ 2,862,402
Service to policyowners at head office and branches	<b>5,248,757</b>	4,917,947
Premium and municipal taxes and license fees	<b><u>531,251</u></b>	<u>490,114</u>
	<b>\$ 48,550,472</b>	\$ 39,316,083

Net income before dividends to policyowners and income tax	<b>6,487,110</b>	6,938,244
Dividends to policyowners in year	<b>3,462,759</b>	2,943,873
Increase in provision for dividends to policyowners	<b><u>405,000</u></b>	<u>545,000</u>
Net income before income tax	<b>\$ 2,619,351</b>	\$ 3,449,371
Income tax (Note 10)	<b><u>680,000</u></b>	<u>1,100,000</u>
<b>NET INCOME FOR YEAR</b>	<b><u>\$ 1,939,351</u></b>	<u>\$ 2,349,371</u>

## STATEMENT OF UNASSIGNED SURPLUS

	<b>1979</b>	1978
Net income for the year	<b>\$ 1,939,351</b>	\$ 2,349,371
Deduct appropriations (Note 11)	<b><u>1,615,860</u></b>	<u>1,890,258</u>
Increase in unassigned surplus for the year	<b>323,491</b>	459,113
Unassigned surplus, beginning of year (Note 1)	<b><u>\$ 12,329,479</u></b>	<u>\$ 11,870,366</u>
Unassigned surplus, end of year	<b><u>\$ 12,652,970</u></b>	<u>\$ 12,329,479</u>

## BRANCH OFFICES

*Branch                      Manager*

### CALGARY

600 - 5940 MacLeod Trail, South

### EDMONTON

D. M. LILLYCROP, C.L.U.

T. F. KOFIN, C.L.U., Asst. Mgr.

### HAMILTON

C. W. ABBOTT, C.L.U.

### KELOWNA

H. V. WILLIAMS, C.L.U.

### KITCHENER

B. T. BAIGENT, C.L.U.

J. B. GALLIVAN, Unit Mgr.

### LONDON

H. J. ROSE

### MONTREAL

1501 - 2020 University Street

### OSHAWA

F. K. CLARKE

### OTTAWA

S. K. CRAIG, C.L.U.

D. R. JEFFREY, Unit Mgr.

### REGINA

J. J. McGEADY

### ST. CATHARINES

J. C. MACDONALD, C.L.U.

*Branch                      Manager*

### TORONTO

506 - 4881 Yonge Street, Willowdale

R. J. MONTYRO

Suite 901 - 94 Cumberland Street

J. H. GREEN

5th Floor, 56 Aberfoyle Cr.

R. D. RAJPAL, Unit Mgr.

### VANCOUVER

256 - 409 Granville Street

L. R. TERRACE, C.L.U.

320 - 1500 West Georgia Street

P. McRAE

### WINDSOR

P. S. REID, C.L.U.

### WINNIPEG

B. H. MELICK, C.L.U.

B. D. PARKER, C.L.U., Unit Mgr.

### *Group Offices*

### CALGARY

F. SCHNEIDER, F.L.M.I.

### TORONTO

P. KRAUSE

### WATERLOO

G. L. BRUNT, C.L.U.

## MORTGAGE LOAN OFFICES

### LONDON

A. E. ELSMLIE, A.A.C.I.

*Manager*

### OTTAWA

G. R. HEWER

*Manager*

### TORONTO

KOPAS & BURRITT FINANCIAL  
AGENTS LTD.

*Representative*

### WATERLOO

W. G. McCOY

*Manager*



The **EQUITABLE LIFE** insurance company  
OF CANADA